
**Decision Session – Executive Member for
Housing and Safer Neighbourhoods**

17 March 2022

Report of the Director of Housing, Economy and Regeneration

**Retrofit Programme – Home Upgrade Grant (HUG) and Social Housing
Decarbonisation Fund (SHDF) funding and an update on the
development of a Retrofit Action Plan**

1. This report provides an update and seeks further decisions in order to continue to deliver on our ambitious programme of home retrofit works. The report covers the successful outcome of our BEIS Home Upgrade Grant (HUG) and Social Housing Decarbonisation Fund (SHDF) grant submissions and the development of a Housing Retrofit Action Plan. These work streams provide solutions for known, poor energy efficiency homes in the next 12 months, alongside the development of a long term plan to support the city in reaching its 2030 carbon neutral ambitions.

Recommendations

- 2 The Executive Member is asked to note and approve the following recommendations:
 - i. To note the offer of grant funding of £343k under the BEIS’s Social Housing Decarbonisation Fund, which alongside Housing Revenue Account (HRA) funding will deliver retrofit works to 28 council homes.
 - ii. To note the further offer of grant funding under the BEIS’s Home Upgrade Grant (“HUG”) scheme. The grant of £497k will enable the council and its consortia partners of Harrogate Borough Council, Selby District Council and Craven District Council to support homeowners living in homes not connected to the mains gas network, to benefit from the installation of much needed energy efficiency measures.
 - iii. To note that the current Energy Company Obligation¹ statement will be amended in order to maximise the benefits of the funding streams when the new scheme launches in the new financial year.

¹ <https://beisgovuk.citizenspace.com/home-local-energy/eco4/>

- iv. To approve the procurement of a new retrofit delivery partner to undertake improvement works in accordance with the grant offers under the HUG programme with delegated authority to the Corporate Director of Place (in consultation with the Director of Governance and S151 Officer) to take such steps as are necessary to procure, award and enter into the resulting final contract(s). This programme of works will be added to the existing procurement of a partner to deliver works under LAD3 and SHDF in line with previous Executive approvals.
- v. To note the progress and approve the proposed timetable of the Housing Retrofit Action Plan including the commissioning of two key pieces of research which will form the evidence base for the council's approach to retrofit in the city.
- vi. To note the proposal to undertake further due diligence around "comfort charges" in order to improve the energy efficiency of our residents homes alongside generating a revenue stream to support further investment in retrofit works within council homes.
- vii. To note the proposal to undertake further heat pump programme feasibility analysis including consideration of the key deployment issues highlighted.

Reason: To tackle fuel poverty and to support our ambition of York being carbon neutral by 2030 by improving the energy performance of some of our poorer performing council homes to both reduce residents' energy bills and to reduce energy demand as well as switching to greener forms of energy across all tenures.

- viii. To note the changes to the Housing Standards and Adaptations Team, including the change of service name to Healthy and Sustainable Homes Service.

Reason: To reflect the focus of the council to provide a range of services aimed at helping residents remain healthy, safe and warm in their own homes.

Background

3. Since the launch of the retrofit programme through Executive approval in December 2020, there has been significant progress in developing plans to reduce carbon emissions within the housing sector in York and the sub-region. This includes a number of successful grant applications throughout 2021 and early in 2022. Below is a table which outlines the progress in securing government grant funding.

Programme	Govt. Funding Received	HRA contribution	Latest Delivery Deadline	Latest position	Properties included
LAD1B	£535,639	N/A	30/4/22	In delivery	Private
LAD2	£2,344,426	£158,485	30/6/22	In delivery	Private / Social
LAD3	£1,962,443	N/A	31/03/23	Procurement	Private
SHDF W1	£343,069	£290,176	31/03/23	Procurement	Social in York
HUG1	£497,863	N/A	31/03/23	Procurement	Private off gas
Total	£5,683,440	£448,661			

4. Previous reports have covered the success in being awarded funding under the LAD1B, LAD2, and LAD3 programmes. The additional funding under the Home Upgrade Grant programme will provide further opportunities to support low-income households with upgrades to the worst-performing, off-gas-grid homes within the consortia. The HUG programme recognises that off-grid homes are those we need to decarbonise heating first. As a minimum, Energy Performance Certificate (EPC) band F-G homes should be upgraded to D or above and band D-E homes to C. The range of grant assistance on offer is higher than those in previous programmes, ranging from £10k to £25k per home upgrade. The exact level of funding per property will be dependent on the residents current fuel type and EPC rating
5. These upgrades will create warmer homes at lower running costs and will support low-income families with the switch to low-carbon heating, contributing to both reducing fuel poverty and carbon emissions. Our successful grant application submission of £497k will help 35 private households to receive a mix of over 40 measures including loft insulation, Air Source Heat Pumps (ASHP) and Solar Photovoltaic (PV). Due to the timescales involved in delivering the grant funded works, it is proposed that a single procurement exercise be undertaken in order to secure a delivery partner for the LAD3, SHDF and HUG programmes.

Executive approval has previously been given to procure a delivery partner under LAD3 and SHDF and the HUG programme will be added to this single procurement project.

6. The SHDF grant funding, as outlined in the Executive report in December 2021, will support insulation works at 28 hard to treat and energy inefficient council properties. This work will consist of underfloor, external wall, and loft insulation.
7. In order to maximise value from our grant funding, there will be a need to refresh our Energy Company Obligation (ECO) flex statement when the Government launches the change to the ECO 4 scheme in April. ECO 4 is the obligation on energy suppliers to provide funding to improve homes and sits outside of the government grant funding programmes. It is anticipated that the focus of ECO 4 will remain on low income and vulnerable households. We will be seeking to ensure that any changes to our current ECO flex 3 statement [eco-flexible-eligibility-statement-of-intent \(york.gov.uk\)](https://www.york.gov.uk/eco-flexible-eligibility-statement-of-intent) will both compliment the BEIS funding streams and reflect the work with a new delivery partner.

Retrofit Action Plan

8. The significant retrofit works and funding opportunities outlined above are being delivered alongside the development of a Housing Retrofit Action Plan. This will build on the Climate Change Strategy, by developing a number of housing initiatives to support the city's ambition of being carbon neutral by 2030.
9. The direction of travel for the action plan was set out to Housing and Community Safety Scrutiny Committee² on 19 October 2021. The final action plan proposals will be evidence-based and include recommendations across all tenures, with an aim of supporting the provision of high quality retrofit advice, effective improvement measures matched to suitable properties, and the council directly delivering retrofit works on its own stock and building capacity in the sector. Progress and key themes are highlighted below.
10. **Stock modelling to inform investment:** Two stock model exercises have been commissioned. These will provide energy bill and carbon savings analysis and mapping which will inform the investment planning and the council's wider approach. Parity Projects is providing analysis of the HRA stock, with results expected this spring. This will give us more information about the possible retrofit interventions into our own housing

² <https://democracy.york.gov.uk/ieListDocuments.aspx?CId=963&MIId=13035>

stock. This will support better value for money investments which have the best impacts on carbon emission reductions and reducing incidences of fuel poverty.

11. Alongside this work, final arrangements are being made to enter into contract with Building Research Establishment (BRE) for additional analysis to provide more detailed information across all tenures. This will include York-specific data but is a joint commission across the partnership authorities and the bulk of the costs are covered by LAD2 funding. Again this will provide invaluable advice to inform future grant funding opportunities as well as feeding into wider strategy approaches and advice to householders.
12. Domestic buildings are estimated to produce 31.8% of the City's locally derived carbon emissions. The modelling analysis will inform pathways to improvement of homes across the City to meet decarbonisation goals, support local supply chain jobs, benefit residents with reduced bills, and thereby retain more spending for the local economy. This is also expected to present opportunities through increased capacity for retrofit of non-domestic building, estimated at a further 30.1% of locally derived emissions in the City.
13. **Council house retrofit:** Around £450k of the £2m HRA retrofit programme budget has been allocated to projects to improve the energy performance of 78 council homes. This consists of solar PV installations to 50 properties supported by LAD2 grant funding and the insulation of 28 council homes through the SHDF. This will provide a wealth of learnt experience and opportunities for pre and post retrofit works analysis. This experience alongside stock modelling analysis will be used to inform decisions regarding further capital budget allocations seeking to improve the insulation, air tightness, and low carbon heating upgrades. This analysis, alongside seeking opportunities for central government match funding, will ensure we maximise opportunities for carbon savings alongside reducing residents energy bills. The importance of making maximum use of available budgets continues to grow given the recent and continued inflation around fuel costs.
14. Referral routes for council tenants at risk of fuel poverty will be explored alongside the integration of retrofit measures into 'business as usual' works such as voids and capital programmes including standing water, roof replacement and Tenants Choice. This can reduce the costs of delivery and avoid further disruption to occupants.

15. Further work is proposed to explore the possibility of a “comfort charge” to resource higher cost and/or a greater number of HRA retrofit interventions. This approach has been utilised elsewhere in the country and would ensure that tenants retained a proportion of their expected energy bill saving, with the remainder paid as a service charge to provide the council a revenue stream to repay the capital works investment. Opportunities for exploring third party sources of investment alongside a comfort charge could bring additional capacity to our ability to deliver retrofit works for council house residents.
16. **Fuel Poverty and energy affordability:** with increases in the energy bill price cap of 54% from April 2022³, it is expected that the numbers of residents at risk of severe financial stress and ill health from an inability to sufficiently heat their home will increase significantly. BEIS data from 2019 highlighted that at that time, 11,992 households in the city were living in fuel poverty. It is clear that this will increase. Climate change is necessitating significant retrofit works, however fuel poverty and associated ill health are also of utmost importance. It is therefore important that our retrofit works not only result in reduced carbon emissions but also seek to reduce energy bills for residents, supporting residents to live in a warmer, more comfortable and healthy home. The existing planned investment into solar PV will provide free electricity to support residents reduce their energy bills.
17. **Advice service and “one stop shop” ambition:** York Energy Advice⁴ has operated a comprehensive home energy advice service since August 2021 for eligible residents with low incomes or who are vulnerable. This includes home assessments, provision of simple measures and referral for other schemes. This service is expected to further integrate into a more comprehensive home retrofit pathway covering a larger number and range of households. New financial products are becoming available for owner-occupiers, however the cost and complexity of retrofit works is a barrier to take up for many. Discussions are on-going with regional and sub-regional partners regarding the best approach to providing advice to facilitate a greater take-up of retrofit works within the private sectors.
18. **Strategic procurement, skills and supply chain:** there are significant challenges in the industry to deliver the level of retrofit works required to meet targets around both local and national carbon reduction savings. The retrofit action plan can inform a strategic approach around planned investment, supporting a more comprehensive procurement approach for CYC led retrofit programmes. This will build confidence in the market and

³ <https://www.ofgem.gov.uk/publications/price-cap-increase-ps693-april>

⁴ <https://yorkenergyadvice.org.uk/>

enable greater opportunities for investment in training. The government's Heat and Buildings Strategy⁵ states that "*The buildings transition (retrofit) presents huge opportunities for jobs, growth and levelling up*".

19. Discussion is underway with local skills providers to accelerate this transformation to a "whole building" PAS 2035 approach that can deliver high quality, cost-effective retrofit. This entails a range of specialist work including engineers for heat pump installation, retrofit co-ordinators analysing improvement options and ensuring high quality implementation, and improving the flexibility of companies to be able to improve fabric thermal performance. The current delivery programmes and ongoing training carried out by CYC for its own staff are also driving this transition which will scale up substantially during the next decade.
20. **Heat pumps study proposal:** Heat pumps are expected to be a key technology in decarbonising homes. In some cases this installation could be undertaken without further building fabric enhancements. However, for many homes further insulation works are needed to ensure the heat pump can work effectively and efficiently whilst not significantly increasing heating costs. Heat pumps can output 3 times more heat energy to a home than is used in electricity and can be installed in individual dwellings or used to power heat networks. The government's Heat and Buildings Strategy sets out an expectation of the scaling up of installations, reaching 600,000 new heat pump installations during 2028. This will support a complete phasing-out of new gas boiler installations nationally by 2035. By planning now, we can enable a more rapid scale up in York than the 2,000 annual installations that would be expected pro rata by 2028.
21. It is proposed to commission a study which seeks to analyse existing house types and provide information regarding the capacity for the installation of a heat pump. This can set a standard which is used to analyse whether a property is heat pump ready or alternatively the nature of works required to improve the thermal efficiency of the home so that a heat pump can be installed at a later stage. This could be used to inform decisions regarding the replacement of existing gas boilers in council homes as they come towards the end of their life. This work would include:
 - a. Sequencing of future plans taking into account electricity grid capacity in the city
 - b. Deployment strategies to ensure a reduction to residents' bills taking into account electricity costs: for example combining heat pump installation with Solar PV and/or minimum air tightness and insulation works.

⁵ <https://www.gov.uk/government/publications/heat-and-buildings-strategy>

- c. Optimal heating system design to inform installations including flow temperatures, radiators/underfloor heating and building thermal performance
- d. Appraisal of the current supplier market, including capacity and future skills/supply chain needs

22. Retrofit Action Plan Timetable:

Time period	Action/notes
January-February 2022	Stakeholder consultation carried on action plan direction The consultees were local community stakeholders and larger stock-holding Registered providers
Spring 2022	Parity Projects HRA modelling work expected
March 2022	BRE modelling work to commence
May 2022	Initial BRE datasets received
March-May 2022	Review action plan incorporating consultation responses, energy bill increases and modelling results
June 2022	Final BRE datasets received
June 2022	HRA elements of action plan put forward as draft proposal
Summer 2022	Final consultation and preparation of action plan
Summer 2022	CYC Strategy suite final documents available
Autumn 2022	Retrofit Action Plan taken forward for Executive approval

Creation of the Healthy and Sustainable Homes Service

23. Our home makes a significant contribution to our overall health and well-being. The Housing Delivery Programme seeks to take a holistic approach to improving health and well-being through the development of spacious, light, comfortable, and affordable homes which can be adapted as our life circumstances change. It is important that a similar holistic approach is taken in considerations of our existing council homes and our work across other housing tenures in the city.
24. To support this ambition it is proposed that the current ‘Standards and Adaptations’ Team be re-named as the Healthy and Sustainable Homes Service. The team will lead on a range of health and sustainability issues

across all tenures, including: adaptations to enable people to live at home and in comfort for as long as possible; retrofit to improve the comfort, health and affordability of our homes; licensing to drive up standards in the private rented sector, ensuring these homes are safe, healthy and warm for York residents; and the prevention service to help reduce the chances of trips or falls for our vulnerable residents. It is considered that placing all of these services in one place offers opportunities to work holistically with residents to help find a range of solutions which will support them to live healthy lives. The new name for the team provides a strong message about the importance of the health and environmental sustainability of our homes.

Consultation

25. In the production of this report further consultation has been undertaken with our consortium partners at Harrogate, Selby and Craven Councils. In addition, support has been received from the Housing and Community Safety scrutiny committee. Initial consultation with local community stakeholders and larger stock-holding Registered Providers was carried on the direction of the Retrofit Action Plan during early 2022. Later in the year there will be opportunity for extensive consultation with stakeholders, following the receipt of the two key pieces of research which will form the evidence base of the council's approach.

Council Plan

26. Retrofit delivery and an action plan aligns with a number of key objectives within the Council Plan:

Well-paid jobs and an inclusive economy – retrofit of existing homes requires a skilled workforce and is labour intensive by the nature of the work involved. People working in the construction industry are typically paid above the national average. Utilising central government grant funding alongside HRA capital to deliver works creates opportunities for work with the supply chain to create opportunities for further training and skills development locally.

A greener and cleaner city – our housing stock is a major source of carbon emissions. Retrofit improves the thermal performance of existing dwellings, reduces heating demand and thus reduces the amount of gas/electricity required to heat a dwelling.

Good health and wellbeing – Exposure of residents to excess cold exacerbates a range of health conditions and contributes to increased hospital admissions during the winter months. The elderly are

particularly at risk from excess cold. Retrofitting homes will make tangible improvements to the energy performance of dwellings thereby reducing incidents of excess cold and associated ill health.

Implications

27. **Financial** - The HUG grant is for properties in the private sector and will be awarded upfront rather than on a claim basis. Administration and ancillary costs can be claimed by CYC and the contractor up to a maximum combined value of 15% of the grant. CYC internal resources costs are to be contained within this value.
28. The Social Housing Decarbonisation Fund Grant will be matched with £290k from the HRA Energy Efficiency capital budget, bringing this scheme total to £633k. The costs for administration and ancillary costs will be contained within the total scheme value.
29. **Human Resources (HR)** – A team led by the Home Energy Efficiency Programme Manager is now leading on the cross-tenure retrofit programme supported by two Home Energy Project managers. The two LAD investment programmes have enabled the recruitment of additional staff on short fixed term contracts.
30. **Equalities** – An equalities impact assessment was completed when this programme was launched and approved by Executive in December 2020. There is no adverse impact expected in terms of equalities.
31. **Legal** – Any works, supply or services contract(s) will be subject to any relevant completion requirements under the Council's Contract Procedure Rules and the Public Contracts Regulations 2015. Further advice and assistance from legal and procurement shall be provided.
32. It is noted the timescales to implement the matters required under the HUG grant appear tight so in the event a suitable framework is available the use of this could help expedite the process.
33. A competition will also help the Council comply with subsidy control mechanisms by not giving an advantage to one economic operator over another.
34. Arrangements will need to be put in place to protect the Council as lead authority from any breach of grant conditions by the other partner local authorities who will receive part of the funding from us to use for the same purposes. Back to Back Agreements with CYC will bind these authorities into the same conditions.

35. **Procurement** – Any proposed works and services will need to be commissioned via a compliant Procurement route under the Council’s Contract Procedure Rules and the Public Contract Regulations 2015. Although the value of the individual works programmes falls under the relevant threshold (£4,733,252), a full procurement exercise under the Regulations will be required in this instance.
36. **Crime and Disorder** - None.
37. **Information Technology (IT)** - Civica APP database (FLARE) and MS SharePoint will be utilised in order to manage project information and data.
38. **Property** - None

Risk Management

39. Project delivery of the Home Energy Efficiency Programme is overseen by the Housing Energy Efficiency Board. Risk and issues logs are regularly reviewed. A working group of officers from the consortia of councils are already managing risks within the LAD 1B and LAD2, LAD 3 and SHDCF programmes. A risk sharing agreement has been signed by the councils for LAD 3. Staffing resources will be flexed to reflect the demand of the delivery of projects. Any underspend of grant funding may result in the reclaim of remaining funds including any revenue contributions to staffing costs.

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Report **Date** 08/03/22
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Legal:
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Background Papers:

- Council Housing Energy Retrofit Programme – December 2020 – Executive
<https://democracy.york.gov.uk/ieListDocuments.aspx?CIId=733&MIId=12428&Ver=4>

- Update on the Housing Energy Retrofit Programme – March 2021 – Decision Session: Executive Member for Housing and Safer Neighbourhoods
<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=932&MIId=12599&Ver=4>
- Update on the Housing Energy Efficiency Programme and Grant Application for the Sustainable Warmth Competition – Decision Session: Executive Member for Housing and Safer Neighbourhoods – August 2021
<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=932&MIId=13137&Ver=4>
- Housing Energy Efficiency Programme Update - Utilising Grant Funding to Deliver Additional Retrofit Works – December 2021 - Executive
<https://democracy.york.gov.uk/ieListDocuments.aspx?CId=733&MIId=12798&Ver=4>

Abbreviations

ADHP - Air Source Heat Pumps
 BEIS –Department of Business, Energy and Industrial Strategy
 BRE - Building Research Establishment
 CYC – City of York Council
 ECO - Energy Company Obligation
 EPC - Energy Performance Certificate
 HRA- Housing Revenue Account
 HUG - Home Upgrade Grant
 LAD – Local Authority Delivery
 PV - Photovoltaic
 PAS – Public Available Specifications (British Standard Institute)
 SHDF - Social Housing Decarbonisation Fund